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Second country cooperation framework for Brazil (2002-2006)

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Introduction

1. The second country cooperation framework (CCF) for Brazil covers the period 2002 – 2006, in harmony with the programming cycle of other United Nations funds and agencies. The CCF was prepared by the Brazilian Cooperation Agency, taking into account the results of the 2000 Country Review, the 2001 United Nations Common Country Assessment (CCA), the 2001 United Nations Development Assistance Framework and the 2001 Non-Core Evaluation: Brazil. It reflects the priorities of the 2000-2003 Multi-Year Plan of the Federal Government and shows areas in which UNDP has a clear comparative advantage within its mandate.

I. Development situation from a sustainable human development perspective

2. Brazil is a country of contrasts: although it is the eighth economy in the world with a per capita gross domestic product (GDP) of around $4,000, approximately one third of the population (some 54 million people) survives on less than $2 dollars a day. Brazil has a medium human development index (HDI) of 0.747, ranking 74th among 174 countries. But its HDI shows a strong racial bias when disaggregated: the mostly white population of the South has an HDI of over 0.850, while the HDI of the black population in the North-east is less than 0.600. The country contains some of the most important ecological regions in the world, such as the Amazon and the semi-arid region in the North-east.

3. With the Real Plan, the Government succeeded in reducing inflation, which was estimated at approximately 50 per cent in June 1994, to declining rates of 22 per cent, 10 per cent, 5 per cent and 2 per cent in subsequent years. Economic stability, which was anchored on an overvalued currency and a fixed exchange rate policy, was rocked by a successive wave of financial crises worldwide that restricted resource flows. The Government was forced to abandon the exchange rate policy, shifting to flexible rates within a pre-defined range, with occasional interventions by the Central Bank, as required.

4. In the November 2000 review of the International Monetary Fund (IMF)-led financial programme established in December 1998, the IMF commended the Brazilian Government for achieving a R$36.7 billion (3.4 per cent of GDP) consolidated public sector primary surplus and adopting "an appropriately cautious" monetary policy. GDP grew by 3.6 per cent during the first half of 2000, and employment expanded by 5.1 per cent; consumer price inflation, nevertheless, remained subdued, increasing by 7.7 per cent. Brazil's external sector performance also continued to improve: it registered a trade surplus of $0.7 billion, versus a $0.8 billion deficit in the previous year, and the current account deficit declined to $15.9 billion from approximately $17.3 billion in the previous year.

5. While significant economic advances have been achieved, the country continues to face serious developmental constraints. Poverty eradication remains a huge challenge. Brazil is an urban society, with more than 80 per cent of its population living in over 5,000 municipalities. As elsewhere in the world, cities have rapidly expanded. City governments are unable to deal with the influx of people, which has led to the growth of slums. In absolute terms, the urban poor outnumber the rural poor. The situation of marginalized youth with no jobs and little hope, in the midst of affluence, produces a volatile and violent urban situation. Public order and security has become the number one concern of Brazilians.

6. The Government has been implementing reforms on many fronts, including the areas of social security, public administration, fiscal, education, and health. Notable progress has been made, for example, in education, where access at the primary level is practically universal; in the health sector, infant mortality has decreased by 25 per cent over the last 10 yeas.

7. Brazil is a country with high professional capacity and experience within the Government and civil society. Yet, capacity within the Government is heavily concentrated at the federal level, and there are shortcomings at state and municipal levels. The lack of local capacity has become evident as states and municipalities are called upon to progressively absorb greater responsibilities in the financing and execution of social programmes and basic services.

8. The fiscal sector has always been of great concern to Brazilian authorities. In this sense, the congressional approval of the Fiscal Responsibility Law is a landmark in the field of financial and budgetary public management. It defines the whole process of the elaboration, execution and control of public budget, making overspending by public officials a crime. It stimulates opportunities to direct surplus to investments in social development.

9. The importance that the Government attaches to the environment is reflected in a shift of attitude, recognizing the social and economic benefits from the sustainable management of the environment. For example, eco-tourism and the development of renewable sources of energy are encouraged as opportunities of access to productive assets and sustainable livelihoods, especially by the poorest segment of the population. The Government also attaches great priority to the implementation of international conventions such as the Montreal Protocol and the Climate Change and Biodiversity Conventions. Another area where there is a government interest is the sustainable management of the tropical rain forest.

10. All these developmental concerns are reflected in the 2000-2003 Multi-Year Plan, which focuses on partnerships between the public and private sectors to achieve the objectives of 365 programmes of the Government's "Brazil in Action" agenda. These programmes fall under five major components: (a) national axes of integration and development; (b) state management; (c) environment; (d) jobs and income opportunities; and (e) information and knowledge. There are six strategic directives: (a) to consolidate economic stability with sustained growth; (b) to promote sustainable development oriented towards generation of job and income opportunities; (c) to combat poverty and promote citizenship as well as social inclusion; (d) to consolidate democracy and the defense of human rights; (e) to reduce interregional disparities; and (f) to promote the rights of minorities who are victims of prejudice and discrimination.

II. Results and lessons of past cooperation

11. The UNDP-supported programme in Brazil is one of the largest in the world, and is almost fully cost-shared and nationally executed. Two independent reviews conducted in November 2000 and March 2001 both concluded that "the 1997–2001 CCF has made a significant contribution to national priorities in a way that is appreciated by Government and civil society", and "that in terms of development effectiveness, the current partnership has served well the policy interests of Brazil and has allowed the office to play a major and positive role in the country."[1]

A. Enabling environment for sustainable human development

12. Extensive national capacity has been developed to analyse data using human development tools, enabling planners to identify excluded regions and groups. UNDP contributed to the development of two government sustainable human development (SHD)-based programmes: (a) federal legislation requiring the use of HDI as a budgetary allocation tool for federal social programmes; (b) the HDI-14 federal development programme that selected micro-regions in 14 states with the lowest HDIs as a target of intervention on integrated development efforts. It targets 57 million people and supports literacy, schooling, health and employment. The Anti-Poverty Fund approved by the National Congress in 2000 was based on data from the *1996 UNDP National Human Development Report on Brazil* and

[1] Brazil Country Review, 4-24 November 2000 and Non-Core Evaluation: Brazil, 12-16 March 2001

related publications. There has also been an impact on the programmes of participating institutions themselves. The work of the Institute of Applied Economic Research (IPEA - a government think tank) on social development, which had been relatively small, has now become the largest, most visible and most important area.

13. UNDP support in education has contributed to the elaboration of national curriculum parameters for primary education, a national system to evaluate the quality of educational institutions and the performance of students and improved teaching materials. Aligning itself quickly behind new government educational policies on funding and decentralization, it supported a distance-training programme, aimed at the 30,000 teachers in the North, North-east and Center-West who do not possess basic educational qualifications. It also supported municipal capacity-building programmes for some 5,000 municipal education secretaries and members of the National Education Fund Councils. A recent evaluation concluded that the training provided by this UNDP-supported project made a significant contribution to capacity-building. Information technology is an important factor to the success of capacity development strategies and shows the potential contribution of "e-governance" to making government transparent, effective and accessible.

14. UNDP facilitated the transfer of *Escola Ativa* methodology from Colombia, which shifts school responsibility to students and civil society actors, and transforms teachers into facilitators of education closely linked to local realities. The programme has expanded from 44 to 256 municipalities, covering 1,498 schools, 2,290 teachers and 60,503 students in 2000. *Escola Ativa* illustrates key elements of the UNDP strategy in Brazil – advocacy and replicability. The *Escola Ativa* methodology is now being implemented in Mozambique, and minimum standards policies and approaches are being disseminated in East Timor.

B. Poverty eradication and sustainable livelihoods

15. In the Brazilian North-east, the *Banco do Nordeste* (a regional development bank funded by federal resources) and UNDP pioneered a participatory methodology - GESPAR - for local development. This builds the capacity of poor communities to organize, identify needs, priorities and opportunities, and access credit to invest in skills and equipment. The work was particularly well-timed and positioned UNDP to support the government drive for local development. This participatory methodology is impressive for its reach, well beyond the towns themselves and into the rural areas, and its coverage of actors in different areas. The usefulness of the methodology as a capacity- and consensus-building tool can be seen from the extent to which it is being picked up at the national level, and the interest in the UNDP contribution in this area. Partnerships have been forged with two major national development banks: the Federal Savings Bank (*CAIXA Econômica Federal* (approximately $60 billion in assets) on microfinance; and the National Economic and Social Development Bank (BNDES) (approximately $46 billion in assets) for pilot interventions on integrated local development through a participatory methodology.

16. UNDP helped to set up a unique model for urban development that is producing innovations in state and municipal governments. The Paraná State Urban Development Fund is wholly managed by an independent not-for-profit organization (*ParanáCidade*). This is the only case in Brazil where government has successfully contracted out its urban development functions to an independent organization. Some 100 municipalities are using a sophisticated and computerized system of management by results, and excellent outcomes are being achieved. These innovations are potential models for other states, and merit consideration for study and diffusion.

C. Environment

17. The impact of UNDP-supported initiatives on policies and programmes varies: it is still low for most of the research and experimental pilot projects. The indigenous peoples' components have generated some interesting results in zoning that could later be transformed into a regional policy, although strong political and economic forces oppose some of these efforts. The issue of developing social, political or economic policies to protect the ecosystems, which the Government considers a national responsibility, is just starting to be addressed.

18. In some areas, good partnerships have been developed among the actors, usually the government institution, the multilateral financing agency, the local government or private partners, and in some cases, civil society organizations. For example, in the project to assess greenhouse gas emissions, actors include the Ministry of Foreign Relations, which deals with the Group of seven industrialized countries (G7) and the Group of 77 developing countries (G77), the Ministry of Science and Technology, the National Congress and some 60 national institutions at different levels.

19. The potential of the UNDP contribution as a multisectoral and impartial actor is important. The UNDP role in providing technical cooperation should be strengthened by supporting the robust diagnoses as well as systematized monitoring that would allow those involved to form a better picture of their many dimensions. UNDP support to project management capacity is considered essential, and partners also recognize an important crosscutting coordination role, as well as support to identifying quality consultants and potential international partners.

D. Integrated development interventions

20. UNDP contributes to enhanced capacity to innovate and translate knowledge and experience to serve other areas. For example, the Health and Education Ministries that had received UNDP support for capacity-building at the local level have started to link interventions for maximum impact, both at the territorial and personnel levels. Fiscal reform programmes underway in 20 states have already started to link results of improved taxation with its social development programmes. UNDP has played a lead role in a pioneering effort to assist two states to produce integrated development plans. Given the long-term decentralization drive of the Brazilian Government, this could be an area where the UNDP could develop special technical strength.

E. Gender

21. The overall programme can be described as gender-neutral. Such gender neutrality results in missed opportunities to promote women's access to economic, social and political resources, particularly in the area of local development. UNDP should work with national partners to identify concrete and doable opportunities for gender mainstreaming in the overall programme. This would involve little additional cost and effort, but have significant results.

22. While gender is a cross-cutting issue that will be given special consideration in the formulation of projects in the new programme cycle, two areas will be given top priority. First, at the policy level, national policy planning frameworks will incorporate targets and programme indicators disaggregated by gender, supported by research and studies. Second, pilot interventions, especially in the area of sustainable local development, will actively promote the incorporation of gender considerations in the development of training methodologies.

III. Objectives, programme areas and expected results

A. Objectives

23. UNDP continues to enjoy the trust of the Government, enabling the organization to leverage its neutrality into a privileged position as an

effective development partner. As the independent March 2001 Non-Core Evaluation Report concludes, "In terms of overall development effectiveness, the current partnership between the [G]overnment of Brazil and the local UNDP office has served well the policy interests of Brazil and has allowed the office to play a major and positive role in the country". The second CCF for Brazil remains a country-driven, nationally owned programme, with an increased commitment to results. It is a non-core-based partnership that responds to the development priorities of the Brazilian Government within the UNDP mandate. The current development environment focusing on goals and results and the maturity of the Brazil-UNDP partnership that has evolved over the years provide a unique opportunity for the organization for a qualitative leap into more proactive, technical interventions during this programme cycle. The major objectives of the CCF are to contribute to: (a) improved policy and target-setting using the SHD framework; (b) poverty reduction and increased social inclusion; (c) capacity development for sustainable governance; and (d) sustainable environmental management and energy development.

B. Programme areas

Policy and target-setting within the SHD framework

24. The UNDP flagship in Brazil is SHD. The federal government's adoption of the HDI as a budgetary allocation tool for its major anti-poverty programme (Alvorada Programme) attests to the remarkable advocacy impact that the UNDP has had in the country. This has been complemented by similar decisions at the local level that focus on HDI indicators and methodologies as planning and monitoring tools. Media coverage of the SHD concept has been quite extensive, contributing to a dynamic policy dialogue and increased public awareness. UNDP will intensify its work on SHD, investing in the development of tools that enable quicker measurement and reporting on social change. UNDP will also continue to coordinate efforts to develop geo-referred short-term indicators of social change beyond HDI indicators for municipal planning and target-setting. UNDP will explore partnerships with the private sector, especially with media conglomerates, to sustain public debate and nationwide incorporation of SHD in policy formulation and implementation. The organization will also assist in establishing systems to monitor programmes that use HDI to feed this back into policy-making and the methodological evolution of HDI. The major outcomes expected from UNDP cooperation in this programme area are: (a) increased used by decision-makers of SHD concepts in policy formulation and implementation; and (b) sustained public debate on SHD.

Poverty reduction and increased social inclusion

25. As various country review exercises have shown, poverty continues to be a major social problem in Brazil, which has one of the greatest income inequalities in the world. Some 33 per cent (54 million) live on less than $2 per day; about 15 per cent (24.5 million) are indigent, living on less that $1 per day. These disparities become even more glaring when gender and race factors are included. Available HDI and poverty indicators demonstrate that the most vulnerable groups include women, black women, and indigenous groups. Poverty in Brazil also has also a very strong metropolitan character: in terms of the percentage of the total population, the poorest live in the rural North-east, but the absolute number of urban poor is by far greater. UNDP will support the development of national policy and planning frameworks that incorporate targets for poverty reduction, disaggregated by race and gender. It will support the promotion of human rights and public security as instruments to reduce social exclusion.

26. The Brazilian Government gives highest priority to the provision of high-quality education as a critical channel to the full exercise of citizenship. It has launched a massive reform of elementary, high school and vocational education, focusing, among other things, on upgrading the quality of teachers and school management within a decentralized environment and consolidating the normative and regulatory role of the federal Government. UNDP will continue to support capacity development

efforts at the federal, state and municipal levels using information and communication technologies and networks of universities and civil society organizations as partners. UNDP will support the Government's efforts to achieve universal access to quality primary education by 2007.

27. Empowerment through access to productive assets will need to move beyond enhancing existing skills and resources, to the development of new production and commercial strategies. Areas such as connecting small-scale producers to developed markets and microfinancing will require very specific knowledge and tools, and the international experience that UNDP can bring into the country is key to avoiding non-sustainability and dependency. UNDP will support pilot projects focusing on the sustainability of institutions that provide services such as micro-credit. It will forge partnerships with key Brazilian institutions to analyse the validity of methodologies such as production chains and franchise schemes, produce an inventory of bottlenecks, and identify strategies suitable to the Brazilian reality. UNDP will also support the targeted implementation of sustainable agriculture and land resettlement programmes and policies on land titles, as well as the development of alternative renewable and cost-effective energy options to serve the rural poor. UNDP will contribute to informed policy-making with relevant research and studies, supported by a strengthened network of academic and research institutions nationwide.

28. In a highly globalized world, access to and utilization of information and communication technologies (ICTs) as instruments of social inclusion have become imperative. Brazil currently ranks 13th in the number of hosts, with over 7 million individual users. UNDP will support the Brazilian Government's efforts to expand connectivity and decrease the digital divide through the Brazilian Information Society Programme. UNDP will use its privileged horizontal and multisectoral presence in all levels of government to contribute to defining a plan on the use of ICTs in integrated development strategies. This will include, among other things, expanding efforts in e-governance for greater transparency in public administration.

Capacity development and sustainable governance

29. The effective implementation of SHD-based programmes requires an efficient public administration that is results-oriented, cost-effective, and citizen responsive. UNDP will continue to support interventions for continued macroeconomic stability, such as the Reform of the Social Security System (the major source of public deficit) and Reform of Fiscal Administration, to achieve a sustainable fiscal balance, based on an efficient and transparent management of revenues and expenditures. A fruitful partnership based on UNDP project management expertise and negotiating capacity, which contribute to improved tax collection rates and better execution of approved budgets at the state level, has opened unique opportunities for UNDP cooperation at the municipal level in the area of fiscal reform. The recent passage of the Law of Fiscal Responsibility, shifting accountability from central to local governments for financial sustainability and the provision of basic social services, makes UNDP support for capacity development at the local level even more opportune.

30. The process of decentralization and political deconcentration in Brazil is irreversible. This requires capacity development for efficient decentralized governance, which means: (a) an increase in local governments' ability to generate its own resources; (b) a cost-effective public administration; and (c) better quality and availability of local public services. UNDP will contribute to capacity development for integrated local administration and assist in identifying participatory mechanisms for civil society in decision-making and monitoring of local government performance. Given the continental dimensions of Brazil, with over 5,000 municipalities with glaring disparities in the development and institutional capacities located in 26 states and the Federal District, the challenge for UNDP is to come up with truly effective capacity development strategies for sustainable decentralized

governance. More than ever, UNDP will be requiring access to its network of offices and experts around the world and a corporate knowledge management strategy that is responsive to country office programme requirements. It also means strengthening local office technical capacity in an area that is a key, long-term strategy of the Brazilian Government. Major national financial institutions such as the National Economic and Social Development Bank (BNDES), the Federal Savings Bank (*CAIXA Econômica Federal*), national and sub-national development agencies such as Brazilian Support Service to Small and Micro-Enterprises (SEBRAE) and *ParanáCidade* will be tapped as strategic partners for testing pilot interventions and the eventual scaling up of innovative capacity development methodologies.

Sustainable environmental management and energy development

31. There are two main groups within this programme area. The first covers projects related to biodiversity and climate change designed to address specific aspects of the Amazon jungle and the dry land forest. These are initiatives of a more experimental kind, although some policy issues are involved. The other group consists of more conventional projects to address energy, water supply and sanitation, and the regulatory framework.

32. In the first group, there is strong international, particularly bilateral, involvement. A wide range of partners includes G7 countries led by the Government of Germany, which proposed a pilot project approach in the Amazon. The Pilot Programme for the Conservation of the Brazilian Rain Forest, known as the PPG7 project after its initiators, groups resources from the European Union, the Governments of Canada, Germany, Italy, Japan, the Netherlands, the United Kingdom, the United States, and the Brazilian Government within a World Bank trust fund totaling some $350 million. UNDP will continue to support the Government in implementing this most comprehensive and largest multilateral programme on the sustainable use of tropical forests. The major concern is the sustainability of institutions, mechanisms, structures and communities that will manage the natural resources and effectively conserve the biodiversity of the tropical forests. UNDP is expected to play a major role in designing strategies for local capacity development. The strategy to meet demand for this kind of intervention will be coordinated with other UNDP programme areas. This proposed environment portfolio provides clear opportunities for integrated development strategies and the dissemination of best practices.

33. Brazil is a lead player in international negotiations on the sustainable management of the environment. Since the United Nations Conference on Environment and Development in 1992, the country has adopted public policies on sustainable environment, using innovative approaches, and updating legislation in line with its international commitments. Substantive investments have been made to reinforce the capacity of environmental institutions and stimulate local participation in the design and monitoring of public policies. But these efforts have not been enough to enable it to achieve the right equilibrium between national development needs and a sustainable environment. UNDP will continue to support the Government to develop effective monitoring systems and suitable management mechanisms for the sustainable use of the environment, respecting the rights of indigenous and traditional populations in various ecosystems. UNDP will also support the improvement of national capacity to implement global environmental commitments, by helping to design projects to be funded by the Global Environment Facility and the Montreal Protocol, and support the Government's efforts in the implementation of clean development mechanisms.

34. The current energy crisis and continuing threat of global warming have focused even greater attention on the need for energy conservation and new technologies to generate alternative, locally available, renewable, economical and clean energy sources in Brazil. The speedy privatization of the electric energy sector left a power vacuum in the area of regulation. UNDP will support the consolidation of independent regulatory agencies in the public utilities sector. UNDP will also support research on the utilization of new technologies to

generate renewable energy, efficient and environment-friendly energy transmission systems, pilot-testing of hydrogen fuel cell-based public transport, biomass and solar thermal power generation.

IV. Management arrangements

A. Programme management

35. The second CCF will continue to be executed nationally and implemented through government and non-governmental institutions and the private sector, in close coordination with the Government. Greater synergy with United Nations system programmes will also be promoted. Support will be provided for national efforts in utilizing programme results to strengthen technical cooperation among developing countries activities, especially in Portuguese-speaking Africa.

36. The UNDP office has developed in-house expertise in areas of human and social development, and now offers advice and knowledge in the form of tools and methodologies. It has developed a "Tool Kit" that supports speedy and quality implementation along the entire project cycle, depending on where the capacity is needed. The UNDP local office is also recognized as exercising effective coordinating leadership by other bilateral and multilateral institutions.

B. Monitoring, review and reporting

37. The lack of more systematic information-sharing within and across programmes has had an impact on the country office's ability to pull together lessons learned from programme work and transform that information into knowledge that is much sought and valued by partners.

38. To address this problem, the country office is investing heavily in the implementation of the Enterprise Resource Planning solution (SAP/R3). This powerful information technology tool is expected to significantly reduce staff time spent on transactional operations, freeing precious time for closer monitoring and technical interventions. Reporting will be facilitated, as clients will have real time access to information. The office will introduce new ways to rationalize the tripartite review system, for example, using it for clusters of projects by themes or sectors. The introduction of matrix management is expected to reinforce integrated development interventions by the country office. Project audits by the Federal Audit Board will also continue. UNDP will promote joint learning opportunities for national counterparts on results-based management. UNDP will use project evaluations to identify best practices and support strategic choices that it makes in selecting cost-sharing operations.

Annex

Resource mobilization target table for Brazil (2002-2006)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP regular resources		
Estimated carry-over	2 071	
TRAC 1.1.1	300	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	93	
Subtotal	**2 464**[a]	
UNDP other resources		
Government cost-sharing	665 340	
Funds, trust funds and other	7 186	
Of which:		
GEF	4 155	
Montreal Protocol	2 126	
UNIFEM	905	
Subtotal	**672 526**	
Grand total	**674 990**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; and UNIFEM = United Nations Development Fund for Women.